

---

# **Tobin & Co.**

Garfield Township

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>GARFIELD TOWNSHIP</u>	County <u>KALKASKA</u>
Audit Date <u>MARCH 31, 2005</u>	Opinion Date <u>SEPTEMBER 19, 2005</u>	Date Accountant Report Submitted to State: <u>SEPTEMBER 30, 2005</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <u>TOBIN &amp; CO, P.C.</u>			
Street Address <u>400 E 8TH STREET</u>	City <u>TRAVERSE CITY</u>	State <u>MI</u>	ZIP <u>49686</u>
Accountant Signature <u>David T. Tobin</u>		Date <u>9-30-05</u>	

# Tobin & Co.

## Table of Contents

### INTRODUCTORY SECTION

Comments and Recommendations	4
------------------------------	---

### FINANCIAL SECTION

Accountant's Report	6
Management's Discussion and Analysis	7 - 8

#### Basic Financial Statements

##### Government-wide Financial Statements:

Statement of Net Assets	9
Statement of Activities	10

##### Governmental Funds:

Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12

##### Fiduciary Funds

Statement of Fiduciary Net Assets	13
-----------------------------------	----

##### Notes to Basic Financial Statements

14 - 18

### SUPPLEMENTAL DATA SECTION

#### Required Supplementary Information:

##### Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:

1 - General Fund	20 - 23
2 - Fire Fund	24

#### Other Supplementary Information:

3 - Statement of Changes in Assets and Liabilities – Current Tax Collection Fund	25
4 - 2004 Property Tax Levy and Collection	26
5 - Statement of Revenues and Expenditures and Balance – Property Tax Administration Fees	27

INTRODUCTORY SECTION

# Tobin & Co.

## Comments and Recommendations

We have audited the basic financial statements of Garfield Township, Kalkaska County, for the year ended March 31, 2005 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Garfield Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### General

The records were maintained in good condition by your present Clerk and Treasurer. Recorded revenues were deposited timely and intact, journals and ledgers were for the most part properly posted, Board minutes were in good order, and supporting documents and follow-up procedures appeared to be in very good order. The efforts of these officials for 2004-2005 are commendable.

### Budgets and Procedures

The Township prepared and formally adopted budgets for its General and Fire Funds.

### Property Tax Collections

2004 property taxes collected were distributed to taxing units prior to the end of the fiscal year. This function was handled in an excellent manner by the Treasurer.

Schedule 4 reflects the amount levied, collected, and returned delinquent for the 2004 property tax levy.

### Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2004 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting, and the review and appeal process. As reflected on Schedule 5, costs exceeded the amount collected by \$9,682. A substantial balance of unrecovered costs remains from prior years.

### Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, equipment, errors and omissions, crime and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer, and Supervisor have surety bond coverage.

### Payroll Procedures

Payroll procedures and filing of payroll tax returns were handled in an excellent manner by the Township Clerk.

### Other Data

We noted the use of an interest bearing money market account and certificates of deposit during the audit year. This practice resulted in earned interest of \$4,590 for the audit year. We commend the Treasurer and other Board members for the practices and policies which resulted in this additional revenue.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Township Board  
Garfield Township  
Kalkaska County  
Fife Lake, Michigan 49633

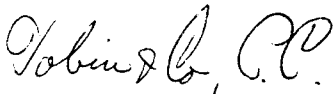
We have audited the accompanying financial statements of the governmental activities and each major fund of Garfield Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Garfield Township at March 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Garfield Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.  
Certified Public Accountants  
September 19, 2005

# Tobin & Co.

## GARFIELD TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Garfield Township, Kalkaska County, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Garfield Township for the fiscal year ended March 31, 2005.

### Financial Highlights

The assets of Garfield Township exceeded its liabilities at the close of the most recent fiscal year by \$848,421. Of this amount, \$378,159 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$378,159, an increase of \$2,192 in comparison with the prior year. The total amount, \$378,159 is available for spending at the Township's discretion.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$315,499, or 100% of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Garfield Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### 1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-section business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, Spring Cleanup, Hospital Subsidy, Parks, and Township Improvements.

#### 2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Garfield Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Garfield Township are categorized as governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Garfield Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.



# **Tobin & Co.**

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on page 13 of this report.

### **3. Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **General Fund Analysis and Highlights**

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$315,499. Unreserved fund balance represents 100% of total general fund expenditures.

The fund balance of the Township's general fund decreased by \$14,533 during the current fiscal year.

#### **Analysis of Balances and Transactions of the Fire Fund.**

The Fire Fund is maintained by a voter passed millage of .9926 mills. At the end of the current fiscal year, the total Fire Fund balance was \$62,660. The fund balance of the Township's Fire Fund increased by \$16,754 during the current fiscal year.

#### **Condensed Financial Information**

Refer to pages 9 through 12 of the audited financial statements.

#### **Capital Asset and Debt Administration**

##### **Capital Assets**

The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$464,628. This investment in capital assets includes: several parcels of land, Township Halls, Fire and Rescue Trucks and Equipment, and Computers. This is the first year that the total Township's investment in capital assets has been assessed and reported. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

##### **Cash Assets**

At the end of the current fiscal year, the Township had \$378,159 in cash and other spendable assets. Of this amount, \$378,113 was held in the Township's bank accounts. The Township is limited by State law in how it can invest these funds and we have made no changes in our investment strategy in several years.

##### **Long-term Debt**

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

#### **Requests for Information**

This financial report is designed to provide a general overview of Garfield Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Clerk's office.

# Tobin & Co.

## Garfield Township Statement of Net Assets March 31, 2005

### Primary Government Governmental Activities And Total

#### Assets

Cash	\$ 378,159
Receivables	5,634
Capital Assets:	
Land	22,000
Other Capital Assets, Net of Depreciation	<u>442,628</u>
Total Capital Assets	<u>464,628</u>
Total Assets	<u>848,421</u>

#### Liabilities

Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>

#### Net Assets

Invested in Capital Assets	464,628
Restricted for:	
Fire Protection	65,464
Unrestricted	<u>318,329</u>
Total Net Assets	<u>\$ 848,421</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Statement of Activities March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities and Total</u>
Governmental Activities:				
Legislative	\$ 7,873	\$ -	\$ -	\$ (7,873)
General Government	95,626	6,259	-	(89,367)
Public Safety	90,550	11,690	135,298	56,438
Public Works	10,919	-	8,044	(2,875)
Health and Welfare	302	-	-	(302)
Recreation and Culture	<u>1,905</u>	<u>-</u>	<u>294</u>	<u>(1,611)</u>
Total Governmental Activities	<u>\$ 207,175</u>	<u>\$ 17,949</u>	<u>\$ 143,636</u>	<u>(45,590)</u>
General Revenues:				
Taxes				104,822
State Grants				52,314
Unrestricted Investment Earnings				4,590
Miscellaneous				<u>12,271</u>
Total General Revenues				173,997
Change in Net Assets				128,407
Net Assets – Beginning				<u>720,014</u>
Net Assets – Ending				<u>\$ 848,421</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Balance Sheet Governmental Funds March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash	\$ 378,090	\$ 46	\$ 378,136
Delinquent Taxes Receivable	2,830	2,804	5,634
Due from other Funds	<u>23</u>	<u>62,614</u>	<u>62,637</u>
Total Assets	<u>\$ 380,943</u>	<u>\$ 65,464</u>	<u>\$ 446,407</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to Other Funds	\$ 62,614	\$ -	\$ 62,614
Deferred Revenue	<u>2,830</u>	<u>2,804</u>	<u>5,634</u>
Total Liabilities	<u>65,444</u>	<u>2,804</u>	<u>68,248</u>
Fund Balances:			
Unreserved	<u>315,499</u>	<u>62,660</u>	<u>378,159</u>
Total Fund Balances	<u>315,499</u>	<u>62,660</u>	<u>378,159</u>
Total Liabilities and Fund Balances	<u>\$ 380,943</u>	<u>\$ 65,464</u>	
 Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			464,628
Delinquent property taxes received after 60 days are recognized as revenues and not deferred for the statement of net assets.			<u>5,634</u>
Net assets of governmental activities.			<u>\$ 848,421</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Total</u>
<u>Revenues</u>			
Taxes	\$ 74,781	\$ 34,571	\$ 109,352
Licenses and Permits	1,950	-	1,950
Federal Grants	294	132,513	132,807
State Grants	63,143	-	63,143
Charges for Services	8,012	7,707	15,719
Interest and Rents	4,870	-	4,870
Other	1,784	10,487	12,271
Total	<u>154,834</u>	<u>185,278</u>	<u>340,112</u>
<u>Expenditures</u>			
Legislative	7,666	-	7,666
General Government	60,475	-	60,475
Public Safety	21,696	37,060	58,756
Public Works	10,919	-	10,919
Health and Welfare	302	-	302
Parks and Recreation	999	-	999
Other	28,869	-	28,869
Capital Outlay	38,461	131,464	169,925
Total	<u>169,387</u>	<u>168,524</u>	<u>337,911</u>
<u>Excess Revenues (Expenditures) and</u>			
<u>Net Change in Fund Balances</u>	(14,553)	16,754	2,201
Fund Balance – Beginning of Year	<u>330,052</u>	<u>45,906</u>	
Fund Balance – End of Year	<u>\$ 315,499</u>	<u>\$ 62,660</u>	
Governmental funds defer property tax revenues received more than 60 days after the year end as unavailable financial resources for the fund financial statements. In the statement of activities these are not deferred.			(4,530)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets over their estimated useful lives is reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			<u>130,736</u>
Change in net assets of governmental activities			<u>\$ 128,407</u>

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Statement of Fiduciary Net Assets March 31, 2005

Assets	Agency Funds
Cash	\$ 23
Total Assets	23
Liabilities	
Due to Other Funds	23
Total Liabilities	23
Net Assets	\$ -

See Accompanying Notes to Basic Financial Statements

# Tobin & Co.

## Garfield Township Notes to Financial Statements March 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Garfield Township is a general law township located in Kalkaska County. Population as of the 2000 census was 794, and the current taxable value is \$31,567,481.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

#### Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

# Tobin & Co.

Garfield Township  
Notes to Financial Statements  
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.



# Tobin & Co.

## Garfield Township Notes to Financial Statements March 31, 2005

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Capital Assets (Continued)

Assets capitalized have an original cost of \$1,000 to \$5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	20 years
Furniture and Fixtures	10 years
Vehicles	10 years
Equipment	5 years
Office Furniture	5 years
Computer Equipment	5 years

#### F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$ 52,697,051	\$ 31,567,481	.7615
Fire Protection	\$ 52,697,051	\$ 31,567,481	.9926

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2005.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2005, no activity overexpended its budget without formal Board amendment.

# **Tobin & Co.**

Garfield Township  
Notes to Financial Statements  
March 31, 2005

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

**A. Legal Provisions for Deposits and Investments**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

**B. Types of Deposits and Investments**

The Township had \$434,900 deposited with local financial institutions at March 31, 2005 with a carrying value of \$378,113. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$921 of uninsured deposits at March 31, 2005.

# Tobin & Co.

## Garfield Township Notes to Financial Statements March 31, 2005

### NOTE 4 - CAPITAL/INTANGIBLE ASSETS

	<u>3/31/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/05</u>
Governmental Activities:				
Land and Improvements	\$ 129,205	\$ 8,885	\$ -	\$ 138,090
Buildings and Improvements	179,395	-	-	179,395
Machinery and Equipment	139,658	56,679	-	196,337
Furniture and Fixtures	5,564	-	-	5,564
Vehicles	<u>231,783</u>	<u>104,361</u>	<u>23,000</u>	<u>313,144</u>
Total	685,605	169,925	23,000	832,530
Less Accumulated Depreciation	<u>(351,713)</u>	<u>(39,189)</u>	<u>(23,000)</u>	<u>(367,902)</u>
Governmental Activities Capital Assets, Net	<u>\$ 333,892</u>	<u>\$ 130,736</u>	<u>\$ -</u>	<u>\$ 464,628</u>

### NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt at March 31, 2005, and no borrowing is anticipated in the near future.

### NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

There were no inter-fund loans, advances or transfers during the audit year. Fire Fund cash is kept in the General Fund cash account and recorded as a due to and due from in the respective funds.

### NOTE 7 - INVENTORIES

Garfield Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 8 - PENSION PLAN

The Township does not participate in a pension plan. The Township provides Social Security coverage for all its officials and employees.

### NOTE 9 - ACCOUNTS/TAXES RECEIVABLE

Delinquent taxes receivable of \$2,830 in the General Fund and \$2,804 in the Fire Fund represent 2004 real property tax and property tax administration fees returned delinquent to the County Treasurer for collection as of March 1, 2005.

### NOTE 10 - PROPERTY TAX ADMINISTRATION FEES

As permitted by statute, the Township levied a 1% administration fee on all 2004 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, administration costs exceeded fee collections by \$9,682. See Schedule 5.

### NOTE 11- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### NOTE 12- COMPENSATED ABSENCES

The Township provides no payment to employees for unused sick leave, accumulated leave, etc..

SUPPLEMENTAL DATA SECTION

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule I  
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Current Taxes	\$ 26,000	\$ 26,000	\$ 24,730	\$ (1,270)
Delinquent Taxes	4,027	4,027	2,703	(1,324)
Property Tax Administration Fees	8,300	8,300	9,721	1,421
Penalties and Interest on Taxes	-	-	209	209
Swamp Tax	37,411	37,411	37,411	-
Commercial Forest	-	-	7	7
Licenses and Permits:				
Land Use	1,200	1,200	1,950	750
Federal Grants:				
Recreation	-	-	294	294
State Grants:				
State Shared Revenues	52,000	52,000	52,314	314
Liquor Law Enforcement	385	385	385	-
Bankhead Jones	-	-	671	671
Metro Act	-	-	7,373	7,373
Other	-	-	2,400	2,400
Charges for Services:				
Summer Tax Collection	4,900	4,900	5,069	169
Fees	5,000	5,000	2,783	(2,217)
Sales	300	300	160	(140)
Interest and Rents:				
Interest	3,500	3,500	4,590	1,090
Rents	400	400	280	(120)
Other:				
Miscellaneous	-	-	1,784	1,784
<b>Total Revenues</b>	<b>143,423</b>	<b>143,423</b>	<b>154,834</b>	<b>11,411</b>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	2,700	-
Supplies and Postage	-	-	90	-
Audit and Accounting	-	-	3,100	-
Dues	-	-	585	-
Printing and Publishing	-	-	173	-
Education and Training	-	-	200	-
Other	-	-	818	-
<b>Total</b>	<b>10,000</b>	<b>10,000</b>	<b>7,666</b>	<b>2,334</b>
<b>Total Legislative</b>	<b>10,000</b>	<b>10,000</b>	<b>7,666</b>	<b>2,334</b>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Garfield Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended March 31, 2005

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	6,500	-
Supplies and Postage	-	-	259	-
Telephone	-	-	10	-
Mileage and Travel	-	-	528	-
Education and Training	-	-	50	-
Other	-	-	15	-
Total	<u>8,500</u>	<u>8,500</u>	<u>7,362</u>	<u>1,138</u>
Elections:				
Salaries and Wages	-	-	4,040	-
Contractual	-	-	225	-
Mileage and Travel	-	-	124	-
Printing and Advertising	-	-	223	-
Total	<u>3,300</u>	<u>4,750</u>	<u>4,612</u>	<u>138</u>
Assessor:				
Salaries and Wages	-	-	6,600	-
Supplies and Postage	-	-	1,329	-
Total	<u>12,000</u>	<u>12,000</u>	<u>7,929</u>	<u>4,071</u>
Clerk:				
Salaries and Wages	-	-	8,000	-
Supplies and Postage	-	-	1,359	-
Mileage and Travel	-	-	723	-
Printing and Advertising	-	-	18	-
Education and Training	-	-	200	-
Total	<u>12,500</u>	<u>12,500</u>	<u>10,300</u>	<u>2,200</u>
Board of Review:				
Salaries and Wages	-	-	1,770	-
Mileage and Travel	-	-	56	-
Printing and Publishing	-	-	32	-
Total	<u>1,500</u>	<u>2,850</u>	<u>1,858</u>	<u>992</u>
Treasurer:				
Salaries and Wages	-	-	10,800	-
Supplies and Postage	-	-	4,644	-
Telephone	-	-	18	-
Mileage and Travel	-	-	444	-
Education and Training	-	-	120	-
Total	<u>17,000</u>	<u>17,000</u>	<u>16,026</u>	<u>974</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Township Hall and Grounds:				
Salaries and Wages	-	-	633	-
Supplies and Postage	-	-	66	-
Contractual Services	-	-	3,400	-
Telephone	-	-	412	-
Printing and Publishing	-	-	33	-
Public Utilities	-	-	1,923	-
Maintenance and Repairs	-	-	460	-
Other	-	-	222	-
Total	<u>8,000</u>	<u>8,000</u>	<u>7,149</u>	<u>851</u>
Cemetery:				
Salaries and Wages	-	-	3,496	-
Supplies	-	-	1,203	-
Contractual Services	-	-	400	-
Maintenance and Repairs	-	-	140	-
Total	<u>10,000</u>	<u>10,000</u>	<u>5,239</u>	<u>4,761</u>
Total General Government	<u>72,800</u>	<u>75,600</u>	<u>60,475</u>	<u>15,125</u>
Public Safety:				
Police Protection – Other	<u>500</u>	<u>500</u>	<u>105</u>	<u>395</u>
Liquor Law Enforcement - Salaries	<u>385</u>	<u>385</u>	<u>385</u>	<u>-</u>
Fire Protection - Other	<u>1,500</u>	<u>1,500</u>	<u>150</u>	<u>1,350</u>
Planning and Zoning:				
Salaries and Wages	-	-	13,560	-
Supplies and Postage	-	-	1,041	-
Legal	-	-	5,102	-
Mileage and Travel	-	-	1,057	-
Printing and Publishing	-	-	296	-
Total	<u>24,000</u>	<u>24,000</u>	<u>21,056</u>	<u>2,944</u>
Total Public Safety	<u>26,385</u>	<u>26,385</u>	<u>21,696</u>	<u>4,689</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended March 31, 2005

Schedule 1  
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
Public Works:				
Roads	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Spring Cleanup:				
Contractual	<u>-</u>	<u>-</u>	<u>10,816</u>	<u>-</u>
Printing and Publishing	<u>-</u>	<u>-</u>	<u>103</u>	<u>-</u>
Total	<u>10,000</u>	<u>11,000</u>	<u>10,919</u>	<u>81</u>
Total Public Works	<u>12,000</u>	<u>13,000</u>	<u>10,919</u>	<u>2,081</u>
Health and Welfare:				
Hospital Subsidy	<u>302</u>	<u>302</u>	<u>302</u>	<u>-</u>
Total Health and Welfare	<u>302</u>	<u>302</u>	<u>302</u>	<u>-</u>
Recreation and Culture:				
Parks:				
Public Utilities	<u>-</u>	<u>-</u>	<u>174</u>	<u>-</u>
Maintenance and Repairs	<u>-</u>	<u>-</u>	<u>825</u>	<u>-</u>
Total	<u>4,500</u>	<u>4,500</u>	<u>999</u>	<u>3,501</u>
Total Recreation and Culture	<u>4,500</u>	<u>4,500</u>	<u>999</u>	<u>3,501</u>
Other:				
Employee Benefits and Insurance	<u>29,000</u>	<u>31,000</u>	<u>28,869</u>	<u>2,131</u>
Contingencies	<u>10,000</u>	<u>4,200</u>	<u>-</u>	<u>4,200</u>
Total Other	<u>39,000</u>	<u>35,200</u>	<u>28,869</u>	<u>6,331</u>
Capital Outlay	<u>49,000</u>	<u>49,000</u>	<u>38,461</u>	<u>10,539</u>
Total Expenditures	<u>213,987</u>	<u>213,987</u>	<u>169,387</u>	<u>44,600</u>
Excess Revenues (Expenditures)	(1) <u>\$ (70,564)</u>	<u>\$ (70,564)</u>	<u>(14,553)</u>	<u>\$ 56,011</u>
Fund Balance – Beginning of Year			<u>330,052</u>	
Fund Balance – End of Year			<u>\$ 315,499</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.



# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
Fire Fund  
For the Year Ended March 31, 2005

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 26,000	\$ 26,000	\$ 31,304	\$ 5,304
Delinquent Taxes	5,249	5,249	3,258	(1,991)
Commercial Forest	-	-	9	9
Federal Grants:				
FEMA	-	132,513	132,513	-
Charges for Services:				
Contractual Services	7,500	7,500	7,707	207
Other:				
Refunds and Reimbursements	-	-	4,487	4,487
Sale of Fixed Assets	-	-	6,000	6,000
Total	<u>38,749</u>	<u>171,262</u>	<u>185,278</u>	<u>14,016</u>
<u>Expenditures</u>				
Salaries and Wages	-	-	13,870	-
Supplies and Postage	-	-	8,894	-
Contractual Services	-	-	2,300	-
Telephone	-	-	431	-
Public Utilities	-	-	4,286	-
Maintenance and Repairs	-	-	7,163	-
Other	-	-	116	-
Capital Outlay	-	-	131,464	-
Total	<u>38,000</u>	<u>170,513</u>	<u>168,524</u>	<u>1,989</u>
Excess Revenues (Expenditures)	<u>\$ 749</u>	<u>\$ 749</u>	16,754	<u>\$ 16,005</u>
Fund Balance – Beginning of Year			45,906	
Fund Balance – End of Year			<u>\$ 62,660</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Changes in Assets and Liabilities  
Current Tax Collection Fund  
For the Year Ended March 31, 2005

Schedule 3

	<u>Balance</u> <u>3/31/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash	\$ 25	\$ 962,236	\$ 962,238	\$ 23
Total Assets	<u>\$ 25</u>	<u>\$ 962,236</u>	<u>\$ 962,238</u>	<u>\$ 23</u>
<u>Liabilities</u>				
Undistributed Taxes	\$ -	\$ 900,080	\$ 900,080	\$ -
Due to Other Funds	<u>25</u>	<u>62,156</u>	<u>62,158</u>	<u>23</u>
Total Liabilities	<u>\$ 25</u>	<u>\$ 962,236</u>	<u>\$ 962,238</u>	<u>\$ 23</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

## Garfield Township 2004 Property Tax Levy and Collections For the Year Ended March 31, 2005

Schedule 4

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	6.2328	\$ 202,012	\$ 184,383	\$ 17,629
Hospital	1.7000	54,099	49,290	4,809
SportsPlex	0.7313	23,268	21,200	2,068
Public Transit Authority	0.2447	7,781	7,090	691
State Education	6.0000	190,959	179,933	11,026
School District	20.1000	328,981	312,016	16,965
School District	0.8400	583	525	58
School District	20.1000	40,157	36,440	3,717
Intermediate School District	2.9732	94,787	88,719	6,068
Township - General	0.7615	24,841	22,687	2,154
- Fire	0.9926	31,585	28,777	2,808
Total		<u>\$ 999,053</u>	<u>\$ 931,060</u>	<u>\$ 67,993</u>
Percent of Levy Collected	93.19%			

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Garfield Township  
Statement of Revenues, Expenditures and Balance  
Property Tax Administration Fees  
For the Year Ended March 31, 2005

Schedule 5

Revenues

Property Tax Administration Fees	\$ 9,721
Total Revenues	<u>9,721</u>

Expenditures

Assessor	7,929
Board of Review	1,858
Treasurer – 60%	<u>9,616</u>
Total	<u>19,403</u>

<u>Excess Revenues (Expenditures)</u>	<u>\$ (9,682)</u>
---------------------------------------	-------------------

The Notes to the Financial Statements are an integral part of this statement.